

USAWC STRATEGY RESEARCH PROJECT

**THE IMPACT ON ARMY TRANSFORMATION IF SUPPLEMENTAL FUNDING
WANES**

by

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ABSTRACT

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Top Army leaders realize that they have a window of opportunity to transform. As the federal deficit continues to grow, funding Army transformation will face increasing pressure. At the Association of the United States Army Winter conference in Washington, GEN Schoomaker, current Chief of Staff of the Army stated, "We're in a hurry to get this transformation done because there's only a fleeting opportunity to do it." He went on to say that because of budgetary pressure, "I don't know how long it (congressional support) will be there." But increased budgetary pressures fueled by domestic spending, record budget deficits and a burgeoning federal debt may shift spending priorities - at the expense of the Army.

According to the Army's own documents, the Army is facing a \$7 billion budget shortfall per year without continuing supplemental funding. It already has guarantees from congress for an additional \$5 billion per year for the modularity plan for the years FY-07 through FY-11, but as the Global War on Terrorism continues and the Operational Tempo for the Army remains high, the requirements for additional funding will also remain high. Without additional funding, the impact on the Army will be enormous. This paper will examine the impact on the Army if congressional supplemental funding stops. Specifically, if the current Army demands remain constant for the foreseeable future, this paper will explore the possible ramifications on the Army modularity process, and the Future Combat System (FCS) if the supplemental funding stops or is significantly reduced.

THE IMPACT ON ARMY TRANSFORMATION IF SUPPLEMENTAL FUNDING WANES

My sympathy often goes out for the humble decimal point. He has a pathetic and hectic life wandering around among regimented ciphers, trying to find some of the old places he used to know when budgets were balanced.

— Herbert Hoover

Top Army leaders realize that they have a window of opportunity to transform, but as the federal deficit continues to grow, funding Army transformation will face increasing pressure. At the Association of the United States Army Winter conference in Washington, GEN Schoomaker, current Chief of Staff of the Army stated, "We're in a hurry to get this transformation done because there's only a fleeting opportunity to do it." He went on to say that because of budgetary pressure, "I don't know how long it (congressional support) will be there."¹ Undoubtedly, the thought of terror organizations with global reach having weapons of mass destruction (WMD) capabilities has had a major impact on transformation and congressional budgetary decisions. But increased budgetary pressures fueled by domestic spending, record budget deficits and a burgeoning federal debt may shift spending priorities - at the expense of the Army.

According to the Army's own documents, the Army is facing a \$7 billion budget shortfall per year without continuing supplemental funding.² The Army's budget for 2004 was \$140 billion dollars which includes \$38.7 in supplemental appropriations.³ The Army's budget for 2005 was \$98.9 billion yet total spending with supplemental appropriations was \$115 billion.⁴ As can be seen from these examples, it is readily apparent the Army needs supplemental funding. It already has guarantees from congress for an additional \$5 billion per year for the modularity plan for the years FY-07 through FY-11, but as the Global War on Terrorism continues and the Operational Tempo for the Army remains high, the requirements for additional funding will also remain high. Just paying for the Presidentially authorized active component level of 512,400 personnel, (up from the 482,400 funded level) will cost the Army \$3 billion per year that is not included in the current budget. Without additional funding, the impact on the Army will be enormous. This paper will examine the impact on the Army if congressional supplemental funding stops or is significantly reduced. Specifically, if the current Army demands remain constant for the foreseeable future, this paper will explore the possible ramifications if the supplemental funding stops on the Army modularity process, and the Future Combat System (FCS).

As shown in TABLE 1, the Army's budget for the 2006 fiscal year is \$98.6 billion, a slight decrease from the 2005 fiscal year budget of \$98.9. The 2005 budget, however, does not

include supplemental appropriations which brought total Army spending to \$115 billion.⁵ From this it is easy to anticipate a budgetary crisis. Included in the Army's budget are spending for two major initiatives: the conversion to a Modular Force and the Future Combat System.

Army Budget by Appropriations Category (Dollars in Billions)					
Category	FY04 Actuals*	FY05 Pres Bud	FY05 Approp**	FY06 Presidents	FY07 Budget
Military Personnel	48.3	39.4	39.1	41.4	43.3
Operation and maintenance	62	32.6	31.7	31.8	33.1
Procurement	14.5	10.4	13	11.8	13.5
RDT&E	10.2	10.4	10.5	9.7	10.3
Military Construction	2	2.1	2.5	1.9	2.3
Army Family Housing	1.4	1.6	1.6	1.4	1.1
Modularity	0	0	0	0	5
Other	1.7	0.07	0.5	0.6	1.4
Total	\$140.10	\$96.57	\$98.90	\$98.60	\$110.00

* Includes Supplemental Funding

** Does not include funds appropriated in the initial FY05 supplemental

*** Excludes Chem Demil

TABLE 1. ARMY BUDGET FOR FY 2004 THROUGH 2007⁶

The Modular Force, the Army's transition from a division-centric force to a more deployable, flexible and self-sufficient brigade-centric force, is key to the Army's efforts to transform itself into a lighter, more lethal and deployable force. Included in the 2005 and 2006 fiscal year supplemental spending requests to Congress is \$5 billion for this transition. This will fund three new brigades in 2006. The Army's plan is to add 10 new brigades to the current 33 in the active Army. Also not included in the Army budget but paid through supplemental funding, is the \$3 billion per year it costs to pay for the 30,000 extra soldiers⁷ required to fully man all 43 active component brigades.

The Army's budget request for 2006 did include \$3.4 billion to fund development of the Future Combat System (FCS) - an increase of \$200 million over 2005. This higher spending reflects the Army's conscious decision to introduce new technologies or "spiral" individual capabilities to the current force as the technologies mature while continuing to develop the overall system. Though the Modular Force design and the FCS are key components to Army Transformation, implementation of these critical initiatives may be at risk due to looming budgetary pressures. How it affects each component of transformation remains to be seen.

Federal Deficits and Why They Are Important

President Bush stated in the 2002 National Security Strategy that "A strong world economy enhances our national security by advancing prosperity and freedom" He goes

on to say “We will promote . . . sound fiscal policies to support business activities . . . (and) tax policies – particularly lower marginal tax rates – that improve . . . investment.” The current agenda of multiple rounds of tax cuts, the new Medicare prescription drug benefit, and a budget-busting highway bill will add trillions more to the national debt, which must be covered by more government borrowing, thus putting the U.S. economy at risk. In addition, foreign investors – which hold 43% of our national debt – are now in a position of power.⁸ Any sign of financial crisis here at home could precipitate further distress if foreign investors demand their due. The resulting pressure on the dollar would squeeze the nation’s ability to meet its most pressing needs, putting national security at risk. These factors may well force Congress and the Administration to take a hard look at the current federal budget and see where cuts can be made.

It is generally agreed that there are three “core” national interests of vital importance: promotion of values, physical security, and economic prosperity.⁹ These objectives (ends) are accomplished in several ways and nations use all elements of national power to achieve them. Elements of national power include: military, intelligence, diplomacy, law enforcement, information, financial, and economic components. Of all the elements of national power, the financial element is most at risk. Because the financial element of power deals with both monetary policy and fiscal policy, continued deficit spending and subsequent government borrowing will require massive changes to the current U.S. fiscal policy - both domestically and abroad. Persistently large federal deficits can erode the growth of future living standards for Americans and severely degrade the United States’ economic performance. Unless immediate changes are made concerning U.S. fiscal policy, the swelling national debt will not only limit the use of the financial element of power as a tool of national security policy, but also jeopardize the U.S. economy and the ability to fund other instruments of national power, in particular the military. The graph below demonstrates how the national debt has grown over time.

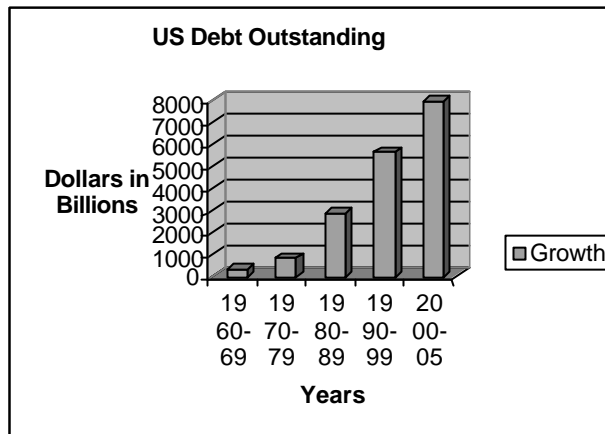


FIGURE 1. SOURCE: BUREAU OF THE PUBLIC DEBT, WASHINGTON D.C. DEPT. OF THE TREASURY

To be sure, a lot has happened to require increased spending, much of it with huge price tags: two hurricanes, the war in Iraq and Afghanistan, homeland security needs, and other military operations. While the status quo is an option, for all of the reasons above, it is not preferable.

As mentioned earlier, the financial element of national power typically deals with two main areas: fiscal policy and monetary policy. Fiscal policy is an economic term that describes the behavior of governments to raise money to fund current spending and investment for collective social purposes and for the transfer of payments to citizens. The money is raised through taxation, by borrowing, by charging for services that the government performs, and as a charge on social assets such as private property.¹⁰ It can also include temporary deficit spending to stimulate demand for domestic goods and services (e.g. to fight unemployment) or cut deficits to raise a budget surplus (to fight inflation).¹¹

Monetary policy is the process of managing the money supply to achieve specific goals such as constraining inflation, achieving full employment, or economic growth. It can also involve changing certain interest rates, either directly or indirectly through open market operations, exchange rates, and setting reserve requirements for federally chartered banks.¹² Of the two components, fiscal policy provides more leverage. Our ability to use the financial element as a tool of national security policy and to fund the other elements of national power (i.e. military element) all hinge on how we manage the enormous federal debt we are currently amassing.

So what are the options to deal with current deficit spending? The core national interest is economic prosperity both at home and abroad. To accomplish this, the U.S. uses the finance element of national power. One option, of course, is the status quo, but doing so is dangerously irresponsible. While short-term deficit spending is certainly feasible, it is used most often in times of recession. A careful evaluation of this option shows that the current fiscal policy of deficit spending is neither acceptable nor suitable. Federal deficits reduce living standards by slowing the accumulation of national wealth as they lower the national savings rate. This puts future living standards at risk which, in turn, degrades economic performance. The second-and-third order effects are higher interest rates, and lower stock market values. Deficits can also lower labor productivity by reducing direct investment.¹³ In addition, the nation's ability to fund the other elements of national power is also greatly reduced. At best, continued deficit spending at the current levels will harm the future of Americans. At worst, it could trigger a fiscal crisis, which could accelerate and quite possibly worsen the damage. In terms of intensity of interests (vital/important/peripheral), it is vitally important that the U.S. achieve the goal of economic prosperity both at home and abroad. Unfortunately, the current fiscal path of the United States is not sustainable. Hard budgetary choices have to be made and changes implemented.

But can those changes be incremental or do wholesale modifications have to be made to the current fiscal policy? If the endstate remains the same, economic prosperity and a functioning financial element of power, a second option may be to do small incremental changes to fiscal policy. The means to do that are slowing the growth of Medicare, and raising the Social Security retirement eligibility age (again) for starters. Under reasonable projections, the budget deficit will continue to grow at about 3.5% of GDP over the next few years. Thereafter, as the baby boomer generation grows older and health and retirement costs mount, deficits are likely to grow much larger.¹⁴ Add to this the increases in life expectancy, continued growth in health care costs, and the fact that health-related programs are much more difficult to reform than other social programs, this option is not sustainable either. Indeed, mandatory spending has grown to consume nearly 57% of the federal budget. Add to that the interest on the debt that must be repaid and the mandatory portion grows to 63% leaving little room for budgetary maneuver. Clearly, the budget outlook for this option is dismal and – like the first option – put the future of Americans and the economy at risk. See figure 2 below.

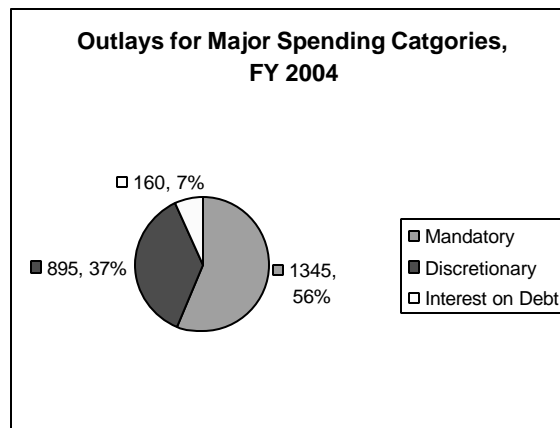


FIGURE 2. SOURCE: BUREAU OF THE PUBLIC DEBT, WASHINGTON D.C. DEPT. OF THE TREASURY

So what other options are there? Given the complexities involved, there is no sure-fire solution to the nation's projected deficits. Congress could repeal the tax cuts of 2001 and 2003 or allow them to expire. While this is certainly feasible and suitable, it may not be acceptable given the current Republican makeup of Congress. The current debate in Washington concerns what "offsets" can be made in the area of "mandatory and necessary" spending to pay for the decrease in tax revenue due to the tax cuts. Alan Greenspan, Chairman of the Federal Reserve Board and supporter of the tax cuts acknowledges the necessity of paying for them with offsetting policy changes, preferably on the spending side. But the tax cuts were so big that paying for them with the required reductions in governmental programs are simply too large. For example, if all of the reductions were focused on specific programs, paying for the full tax cuts in 2014 would require a 45% cut in Social Security benefits and complete elimination of Medicaid.¹⁵ At the very least, policy changes to slow the growth of social programs and entitlements, especially health care costs, to reduce government outlays could be targeted. As is the case above, this may not be acceptable because of both public and Congressional support. The likely target for the reductions will be discretionary spending and the largest part of discretionary spending is the Department of Defense (DOD) portion.

Members of Congress are already beginning to ask, "What offsets within the DOD share of the budget can be made to fund current expenses?" What weapon systems are truly critical? What are, in fact, the true expenses for the Global War on Terrorism (GWOT)? For example, the GWOT up to this point has been funded with supplemental appropriations that include other costs such as the multi-million dollar embassy in Iraq. If a strong economy and future economic

prosperity are the desired objective, these and other hard questions are going to have to be debated and hard decisions made.

Significant changes in fiscal policy are needed to preemptively deal with the deficit spending and the associated risk of fiscal crisis. We cannot continue down the same road to financial insecurity that we are on now. At best, these deficits will gradually harm the income of Americans here at home and erode the US ability to support foreign policy abroad through such organizations as the World Bank and the International Monetary Fund. At worst, they could trigger a financial crisis worldwide. Hard choices are going to have to be made and most likely at the expense of the military. Even with no further natural or terrorist disasters, the debt burden being placed on U.S. taxpayers is enormous and Congress is taking notice.

During the Association of the U.S. Army's 2004 Winter Conference, GEN Schoomaker urged service members and supporters to act quickly.

We have a historic window of opportunity today to transform and do so rapidly. We must take advantage of this extraordinary level of support that we have right now . . . to reset ourselves for the future. That's why we're moving in such great haste.¹⁶

But the window may be closing. Lawmakers are showing a growing reluctance to continue to rubber-stamp supplemental budget request. Rep. Ellen Tauscher (D-CA) recently stated:

. . . at a time when our troops are stretched thin between commitments in Afghanistan, Iraq, and other demands around the globe – now under even more pressure with domestic disasters like Katrina – we cannot afford to ignore their needs. We continue to fund unproven, unsuccessful programs in the Pentagon's fiscally irresponsible budget, all the while writing blank check supplemental funding for major endeavors like Iraq. I support responsible budgeting and making some hard decisions about our military's fundamental needs . . .

With the fight in Iraq, natural disasters here at home, waning support for supplemental appropriation bills, the Army could find its major initiative, Transformation, a likely target for those wanting to balance the budget.

Transformation

Transformation has been described many different ways. According to the Department of Defense, it is not just about acquiring new technology. In the April 2003 Transformation Guidance, Secretary of Defense Rumsfeld defined transformation as:

A process that shapes the changing nature of military competition and cooperation through new combinations of concepts, capabilities, people, and organizations that exploit our nation's advantages and protects against our asymmetric vulnerabilities to sustain our strategic position, which helps underpin peace and stability in the world.¹⁷

From Rumsfeld's perspective, transformation is not just embracing new technology and acquiring new equipment. It also seeks to leverage those technologies and develop new concepts to create and sustain an operational advantage against our current enemies and potential future adversaries. It is an all encompassing process that seeks to change the way the Department thinks and make it more creative. This creative thinking will allow the Department to work better together within itself, with other agencies, and with coalition forces.¹⁸ It seeks not only to improve interagency coordination, but also to improve coordination at all levels of government, (federal, state, and local). Lastly, it is also defined as a process with no end state. There is no foreseeable point in the future when the Secretary can say that transformation is complete. Those charged with the transformation process are responsible for seeing that it continues indefinitely.¹⁹ In the past, defense transformation has been defined in terms of more discreet, easily identifiable periods in time. This is especially true for the U. S. Army.

The U.S. Army describes Transformation as a "process that shapes the changing nature of military competition and cooperation through new combinations of concepts, capabilities, people, and organizations."²⁰ GEN Eric K. Shinseki, the Army Chief of Staff in 1999, informed his service that: "with the right technological solutions, we intend to transform the Army . . . into a standard design . . . that allows us to put a combat capable brigade anywhere in the world in 96 hours This commitment to change will require a comprehensive transformation of the Army."²¹

Army transformation has "three components: the transformation of Army culture, the transformation of processes – risk adjudication using the Current to Future Force construct, and the development of inherently joint transformational capabilities."²² From this "transformation," the Army expects to become more modular in nature, more lethal and deployable (expeditionary). GEN Schoomaker, somewhat jokingly stated that transformation is like "tuning a car engine while the engine is running, which is not only a complex task, but, as you know, it could be dangerous as well."²³

As stated earlier, the two main components of transformation are The Modular Force and the Future Combat System (FCS). This conversion to the Modular Force is described as making the Army more brigade-centric as opposed to division-centric. This will allow for more "plug-in-play" versatility at the brigade level. The Future Combat System (FCS) is the other component the Army is betting on. It is defined as:

(The) FCS is the Army's modernization program consisting of a family of manned and unmanned systems, connected by a common network, that enables the modular force, providing our Soldiers and leaders with leading-edge technologies and capabilities allowing them to dominate in complex environments.

It is a joint (across all the military services) networked (connected via advanced communications) system of systems (one large system made up of 18 individual systems, the network, and most importantly, the Soldier) connected via an advanced network architecture that will enable levels of joint connectivity, situational awareness and understanding, and synchronized operations heretofore unachievable.²⁴

In short, a Future Combat System-equipped force is a critical capability that is crucial to the Army's Future Force and inextricably woven into the Department of Defense transformation goals. The FCS-equipped force is wholly compatible with the approved joint concepts. FCS is so important to the Army that it has allocated \$3.405 billion to its development in fiscal year 2006 - an increase of \$200 million over fiscal year 2005 - and has become the Army centerpiece for transformation.²⁵ The System Development and Demonstration (SDD) contract amount stands at \$21 billion and extends it through 2014.²⁶ Total spending on the contract is projected to be \$128 billion, up 38% from an earlier estimate of \$92 billion, making it the Pentagon's second-most-costly program.²⁷ The program will "spiral" capabilities from this "system-of-systems" to the current force, set up an experimental brigade combat team in fiscal year 2008, and fund deferred systems such as three versions of an unmanned aerial vehicle (UAV), an armored robotic vehicle, and a maintenance and recovery vehicle.²⁸

In light of looming budgetary pressure from Congress, the challenge for the Army for the foreseeable future is to keep the funding for its transformation centerpiece, the Future Combat System, intact. So far, the Congress has obliged. The Army has enjoyed fairly robust budgets and has been able to transform itself and meet current operational requirements involving the Global War on Terrorism, (GWOT), but only with the help of supplemental funding.

The second key component to Army transformation is restructuring the Army away from division-centric units to brigade-centric units, or Brigade Combat Teams (sometimes called UAs – or Units of Action). There are three types of Brigade Combat Teams: Heavy (either armored or mechanized), infantry, and Stryker.²⁹ Each type will be of a standard configuration. These units will be plug-in-play and nearly indistinguishable. This Modular Force will provide Combatant Commanders a flexible arrangement of combat power. Within the current force structure, divisions have to be "disassembled" or broken apart and reassembled piecemeal to create purpose-built forces. This results in large inoperable remnants being left behind in an operational setting where assets are sorely needed. On the other hand, a modular Brigade Combat Team is a self-contained, rapidly deployable, lighter combined arms maneuver brigade and is a capabilities-based force again wholly aligned with joint operational concepts. These units will serve as the building blocks for land forces in the future and are built for rapid

deployment and sustained operations. The Army wants to build 10 more Brigade Combat Teams (BCTs) in addition to the 33 in the current force structure with an option to go to 48. Program Budget Directive (PBD) 753 specifically authorizes the Army \$5 billion a year to fund modularity for fiscal years 2005 and 2006.³⁰ To achieve this, the Army is also authorized an additional 30,000 soldiers which are not budgeted. It is estimated that these personnel costs will be approximately \$3 billion per year.³¹ These costs are being paid through supplemental funding as well. The stationing of Brigade Combats Teams is reflected in Figure 3 below.



FIGURE 3. BRIGADE COMBAT TEAM STATIONING

By combining the Future Combat System with the modularization of Army forces (along with cultural changes) the Army hopes to “transform” itself.

Some argue that if carried through to fruition, this will be one of the few times in recent history the U.S. Army has truly transformed itself successfully. GEN Schoomaker has publicly stated that that “we’re making some of the most significant changes in our Army we have made since World War II.”³² In reality, the Army has undergone five significant changes since the early years of WWII. Three are generally seen as successful, one is not, and it is too early to discern the results of the current transformation.³³

The first transformation began in 1939 as a result of the strategic vision of GEN Marshall, Chief of Staff of the Army.³⁴ The infantry division of that period had foot, animal, and motor units, all with varying rates of speed, which did not meet the demands of modern warfare. Seeing that the Army was woefully ill-trained and undermanned for the probable entry of the United States into WWII, GEN Marshall saw to it that the Army received the support, resources,

training, and manpower need to be successful. Out this transformation was a brand new branch – armor – and doctrinal changes for its employment.

The second transformation occurred right after the Vietnam War.³⁵ The divisiveness of the war politically and socially as well as personnel policies in place at the time all contributed to the deterioration of the professional Army. So, more than anything else, the Army focused on its people during this transformational period.³⁶ It shifted resources and talent to the education and training of its non-commissioned officer corps. Out of this transformation the officer doctrinal education system was revamped and that leaders at all levels were trained and proficient in their respective branches and specialties.³⁷

The third transformation occurred in the early seventies as a result of the Arab-Israeli War of 1973.³⁸ Because of the near disastrous Israeli defeat in the early days of the conflict, it became apparent to senior Army leadership that doctrinal changes were needed. The near defeat illustrated that an attack launched by surprise with the new weapon systems available, the “Active Defense” concept the Army had adopted may not be feasible.³⁹ As result of this, the Army launched a new study into the way it fights. The outcome was the Airland Battle Doctrine and a radical new tank, the M1 Abrams Main Battle Tank (MBT). Oddly enough, the final M1MBT was the successor to the abortive joint American-German Main Battle Tank-70 project. Concerned about expense, Congress withdrew funding for the MBT-70 in December 1971, thereby canceling the program.⁴⁰

The fourth attempt to transform was a dismal failure. The Pentomic Division of the 1950s was a result of the Eisenhower administration's belief that the Army was inadequate to prevent a war and certainly could not win one.⁴¹ The common belief at the time was that the next war would be a nuclear one. The Army, in order to remain relevant (and to gain budget dollars), designed the “Pentomic” Division. In the Pentomic Division, five small “Battle Groups” replaced the three infantry regiments.⁴² While the smaller battle groups were seen as more effective organizations to operate on a widely dispersed nuclear battlefield, there were other reasons for the Army's adoption of the new structure. The Pentomic Division (with nuclear artillery) became a means by which the Army could stake a claim to a share of the nuclear arsenal. It achieved that goal, but proved ill-suited for the requirements of the conventional battlefield. Lack of support from key Army leaders prevented resources from reaching critical components of the design (such as command and control equipment)⁴³ and ultimately contributed to the failure of the Pentomic design.

The constant in all three instances of where transformation was a success is that it was resource dependent and widely supported – both inside and outside the Army. Given the costs

involved with the latest transformation, the Army may have to scale down its ambitions. It initially wanted 43 to 48 Brigade Combat Teams (all equipped with the FCS) that it can use interchangeably with near-transparency. The likelihood of it receiving funding in the current budget environment is remains doubtful.

A discussion about transformation would not be complete without touching on Army Forces Generation Model, or ARFORGEN. Simply put, Army Force Generation uses resources (people, equipment and training) to generate combat ready forces. It is designed to continuously provide the Combatant Commanders full-spectrum capable forces on a rotational basis with a back-up surge capability. Operational forces will progress through three force “pools” (reset/train, ready, and available), their resourcing and readiness based on what missions for which they have to be ready for.⁴⁴ That progression (It is depicted below in FIGURE 4) is known as the operational readiness cycle. Different units will be ready for different missions. Perhaps the biggest change is that all units will not have to be ready for war at all times as in the past. The Army will change from “tiered” readiness to “cyclical” readiness. Furthermore, ARFORGEN recognizes that units will have to build up their readiness over time to meet specific demands. They do this as they progress through the readiness cycle. All units will be grouped into one of these force pools. The ARFORGEN readiness model is design so that active component (AC) units spend one year deployed out of every three. Reserve component (RC) units will spend one year deployed out of every five or six years.

Of significance is that for the first time, using ARFORGEN, the Army is able to gather and present comprehensive data on unit readiness and potential combat effectiveness for a specified number of Brigade Combat Teams over time. It can articulate to Congress words to the effect that if the current security situation requires 43 Brigade Combat Teams, this is what it will cost. The Navy, in managing its fleet of about 300 ships, has always had an easier time describing the level of investment needed to maintain a fleet of a given size over time.⁴⁵

Army Force Generation (ARFORGEN)

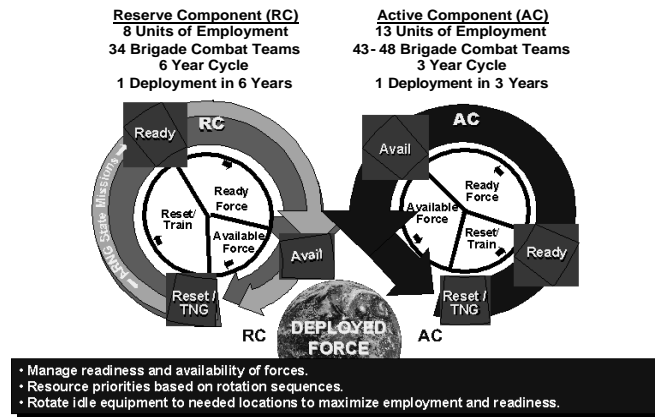


FIGURE 4. ARFORGEN MODEL

Possible Implications of Reduced Funding

There are several implications of reduced funding for the Army. While not an exhaustive list, these are certainly a few possibilities.

One possible way of defending the Future Combat System is reduce personnel strength. The Air Force is already looking at deep cuts in its active and reserve forces to secure savings to offset weapon purchases. The Army is exploring a modest slowdown in the Presidentially authorized increase in troops to protect high-end weaponry.⁴⁶ By the Army's own estimates, the cost of maintaining 10,000 soldiers in uniform is approximately \$1.5 billion per year.⁴⁷

Fielding the FCS to fewer units is certainly an option. While this does not square with the Army's plan of 43 AC and 34 RC BCTs, all of which intended to be "plug-in-play", it is an option. The downside is the Army would have a force consisting of different capabilities. Using past Army lexicon, the Army will have a legacy force and a force equipped with FCS. This, of course, begs the question of how do you manage soldiers trained in both systems moving into and out each force? Do they move at all? One good example is Army Special Forces soldiers. Once they are fully trained and qualified, they spend most of their career in the Special Forces arena.

An all too common approach to costly weapons systems is to allow their development and fielding to slip into the out years as funding decreases. This is one way to keep prized programs alive under budgetary pressures.

Another option is to restructure the total force. By eliminating reserve components billets the Army frees up resources to grow the active component, and, of course, the reverse is an

option as well. The reserve component – especially the Army Reserve - has traditionally been the preferred place to put highly skilled, low peacetime demand capabilities (i.e. doctors, dentist, and lawyers). The Army is already in the process of migrating some high-demand units from the reserve components to the active component.

Lastly, another option would be to spin out only select portions of the FCS and only field a portion of the force with these capabilities. Given the likelihood of severe budgetary pressure, this is highly probable. If budget cuts force the Army to terminate the entire project, it will more than likely keep proven technologies in place and cease development of the remainder.

Likely Outcome

The likely course of action for the Army if the Department of Defense budget is targeted for significant reductions may be a blend of several possibilities. It is highly likely that the Army will continue with conversion to the Modular Force. Current plans for the Modular Force in the 2005 Army Posture Statement point to having all 10 new brigades on line by the end of 2006. Meeting this goal is highly feasible. Indeed it is well underway. The 3rd & 4th Infantry Divisions, the 101st Airborne Division, and the 10th Mountain Division are either complete or near completion leaving the Army with 43 Brigade Combat Teams (BCTs). However, the next five scheduled for creation in 2007 could be in doubt, (if created, the Army would have 48 AC BCTs). The National Guard is running a parallel modularity program, albeit with a longer time frame.

With conversion to the Modular Force nearly a sure bet, where does that leave the FCS? It could suffer a significant blow. As stated above, it is the Pentagon's second most expensive program. Although highly unlikely, the worst case scenario is cancellation of the entire program. In fact, parts of FCS are already being fielded. The FCS contract was restructured in 2004 to accelerate fielding and to allow for the "spiraling" of capabilities to the current force. This "spiral" development and accelerated development cycles is wholly supported by the Department of Defense (DOD). One example is LandWarNet, the Army's portion of the Department of Defense's Global Information Grid, (GIG). Parts of LandWarNet are already fielded and in all likelihood will not be cancelled. However, the other components of the FCS may be delayed or cancelled altogether. It is important to remember that the FCS is a system of systems. It is a family of 18 networked air and ground-based maneuver, maneuver support and sustainment systems, four of which have been identified for early fielding. If the systems identified for early fielding show promise, meet designated time-tables and come in at or under budget, then the

decision to keep them and spiral the technology to the Current Force may happen. The other systems in the out-years are in serious jeopardy.

Another option would be to delay further development of the FCS and only field selective technologies to a portion of the force. A good example is the Stryker armored wheeled vehicle. In a conscious decision to address a long-term problem with an interim solution, the Army selected the Stryker as an interim platform and only designated six brigades to be Stryker equipped.

Lastly, under the worse case scenario, the FCS could be cancelled. Much like the demise of the Crusader Self-Propelled Howitzer, the Department of Defense can terminate it. After the Army spent \$2 billion developing the crusader, Secretary of Defense Donald Rumsfeld decided to kill the program. "This decision is about the reality of finite resources," Rumsfeld said. "It is necessary to make choices and those choices are not easy."⁴⁸

And of course the Army itself could make the determination to no longer fund the program. The Comanche Program, design to be the Army's new scout helicopter, was cancelled in 2005 after the Army spent \$20 billion and 20 years to develop it.⁴⁹ Senior Army leadership terminated the projected and redirected those funds to other critical aviation initiatives.

The dark storm clouds are gathering. Even though the Army has made a very compelling case for Transformation which must include weapons modernization, budget officials are already cutting away around the margins of all DOD weapon systems procurement programs. With current projection's standing at \$128 billion - thus making it the Pentagon's second most costly project, the Future Combat System and indeed Army Transformation are at risk. With the costs of mandatory spending continuing to rise as larger segments of our citizens reach retirement age, discretionary spending will only continue to shrink of which the Pentagon's portion is the largest. With the fight in Iraq, natural disasters here at home, and waning support for the supplemental bills, the Army could find its largest procurement project, the Future Combat System, a likely target for those wanting to balance the budget. Just where the budget ax will fall is yet to be seen.

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